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LATIN AMERICA AS A SOURCE OF RAW MATERIALS

IN THE NEXT DECADE

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Washington, D. C.
27 October 1950

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PREFACE

El Dorado, the Gilded One, according to legend was the chief of an Indian tribe that lived in the Columbian highlands. On ceremonial occasions the chief would cover his body with a sticky substance, powder it with gold dust and at the height of the ceremony plunge into a nearby lake washing off the gold. At the same time his followers would throw into the lake gold ornaments as offerings. The Spanish explorers looked for the lake for many years without success. True they took from the area we now know as Latin America untold wealth in the form of precious metals but the true wealth, raw materials, mineral and vegetable, they failed to recognize.

The United States has likewise carried on a quest in Latin America, not for El Dorado's lake but for raw materials to supplement our production or replace dwindling supply. We have been successful in part but the establishment of a constant supply or a reserve, depending on the item, has been difficult of accomplishment due to many factors.

We will endeavor in this paper to point out what our requirements are and the difficulties we meet with. Predictions are difficult so there will be no effort to give assurance that we can rest secure in the thought that the next decade will see "business as usual attitudes." It is for the reader to form his opinion on this point after viewing the opinions and facts marshaled in this paper.

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Chapter I HISTORY AND BACKGROUND

With the lessons of World War II chronicled and filed we have a better appreciation of our economic position vis-a-vis Latin America. Long has this area been a source of raw materials for the industry of the United States and western Europe but her true value was not appreciated until we were able to total the bill and reveal the vast amounts of foodstuffs, minerals, petroleum, fibers, vegetable oils, and medicinal products supplied during the last war. It was in the field of minerals and petroleum that the area was most important.

This was the occasion needed to awaken us to the importance of this area, because cut off as we were from many of our other sources of raw materials we looked to Latin America not because of the short haul or the low price but because it was our only source for many of the items needed by our war-time economy. It can be said that we were dependent on Latin America for a large part of many of the items necessary for the conduct of the war, as will be shown specifically.

This storehouse for many of our needs is not the result of a miracle or great foresight on the part of our neighbors to the South but has matured during the last hundred years because of many diverse and, at times, conflicting factors.

In the early days of the republic there was a very limited trade carried on between the islands of the Caribbean and the ports of the new nation. Some New Bedford whalers journeyed as far as Valparaiso

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or Callao in their search for new hunting grounds but intercourse between Spain and the infant republic was limited and cautious, and Yankee tars had sufficient knowledge of Spanish dungeons to dampen their ardour for trading in Spanish ports.

The first break in the Spanish-Portuguese grip in the greater part of the new world came in 1808 when the Prince Regent of Portugal fleeing from Napoleon established the Portuguese throne in Brazil. Thomas Jefferson, then President, having suspended the legation in Lisbon for reasons of economy, dispatched our first recognized formal consul to Latin America with a letter in which he said: "The United States see in prospect a system of intercourse between the different regions of this hemisphere of which the peace and happiness of mankind may be the essential principle."^{1/} Mr. Jefferson's expressed high motives were translated into cold Yankee fact when Mr. Madison sent Thomas Sumter, Sr. of South Carolina as minister plenipotentiary to the Portuguese Court to secure treatment for North American commerce equal to that accorded Great Britain, but this was too much to ask. Had not a British fleet saved the Prince Regent from Napoleon's armies? The United States must take position after the most-favored nation, Britain. We did until the Brazilian American Treaty of 1828.

The move for independence on the part of other Spanish colonies received sympathetic consideration in the United States also, particularly in the light of the manifest interest in the Floridas and other Spanish territory to the West and Southwest. If confusion could be added to the position of Spain, the United States might benefit through the acquisition of additional territory. And so the New Republic subject to the limits

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of communications in those times was quick to recognize the New Republics when proclaimed. Indeed in the case of Chile, the Republic was recognized by the consul in Valparaíso, Joel Poinsette of South Carolina, without benefit of instructions from Washington. ^{2/}

In spite of her position as assistant midwife at this multiple birth of nations the United States received no favored position in the exchange of commerce with these countries. Due to our own problems of establishment and the fact that the agricultural economy of the southern continent was largely in conflict with our own we imported little other than molasses and coffee.

With the establishment of Northern industry and the development of our merchantmarine trade between the two regions began to develop about the middle of the nineteenth century. The earliest government records show a total trade, export and import of slightly over three hundred million in 1900 when the United States was assuming her position as a world power. ^{3/}

Prior to the war with Spain our problems had been largely internal. The capital that was available was needed at home. Internal instead of external communications were of first consideration. This left the Latin American field clear for Great Britain, France, and Germany, and these nations sent not only capital but merchants and technological skills. Immigration particularly from Germany and Italy served to strengthen the ties between Latin America and Europe and the capstone of the structure was the belief that all that could be classed as culture came from France.

With the acquisition of territory in the Caribbean and the building of the Panama Canal we became more aware of our southern neighbors

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and with surpluses of capital and goods began an active trade which by 1910 exceeded \$650,000,000^{4/} out of a total for the twenty American Republics of over two and a quarter billions of dollars.

Since 1910 our trade with Latin America has grown steadily with peaks during the war years and a decided low during the depression years of 1932 and 1933. In 1947 our imports from Latin America exceeded two and a quarter billion of dollars while they took from us as exports over three and one-half billions of dollars. This excess of imports over exports was due to the spending of large dollar credits accumulated during the war when it was impossible to purchase from the United States.

While export figures for the war years are impressive with a high in 1945 of over three and a quarter billions of dollars we are not unduly impressed when we look at the exports of 1947 which were in excess of five billion. Of these figures the United States took approximately 70% which in turn was approximately 40% of our imports from the entire world.^{5/}

"We have now established that our trade with Latin America is an item of considerable interest to our national economy and to the proper functioning of our war-time machinery. However, magnitude alone is not the measure nor is the purpose of this paper an exposition of the past. We are endeavoring to explore the future. Let us now turn to the items which make up the great mass of dollars referred to and see how they fit into our needs. Let us consider them with the warning of Leon Trotsky, that "any one desiring a quiet life has done badly to be born in the twentieth century" in mind.

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Chapter II
RAW MATERIALS

Climatically and geologically Latin America enjoys many of the advantages that are found in the United States and Canada. Its position astride the tropics brings many disadvantages not present in the countries of the North but it is fortunate to escape most of the disadvantages which the northern hemisphere winter brings.

Much of the area lies within the tropics, and conditions for growing crops or for the humanity necessary for their cultivation are difficult. However, the population density, except in the Caribbean Islands, is such that the agriculture is sufficient to support local population, except for certain semi-luxury items, and there are large surpluses available for export. This is particularly true of the south where we find one of the three great wheat growing areas of the world. Meat is produced in abundance in some areas for export and the two main tropical crops, coffee and sugar play important rolls in maintaining the export total at an impressive high.

It is not possible in this paper to go into great detail concerning the agricultural products generally. The ability of the Argentine-Uruguay combination to supply meat and wheat to Europe will be covered in another paper. By concentrating our details study on the raw materials described as strategical or critical, studying their relation to our economy, their present production and their potential for the next decade, we will highlight the important tie-in with our wartime production.

The Army and Navy Munitions Board defines strategic and critical materials as "those raw materials or semi-processed materials that are

required for essential uses in a war emergency and whose production in adequate quantities, qualities or time is sufficiently uncertain for any reason to require prior provision for their supply."

The list of such materials is of course subject to constant change but for our purposes we can take an average of 56 items for the past three years. The list runs from agar to zircon and includes some vegetable products but at least 75% of the items are minerals. Latin America during the years 1945-46, the peak production years, supplied over 10% of the world's supply of 19 of these minerals. In some items the figure exceeded 50%.

The list included: antimony, bauxite, beryllium, bismuth, cadmium, chromite, copper, lead, mercury, nickel, tantalite, tin titanium ore, tungsten ore, vanadium, zinc, zirconium ore, graphite, and quartz. 7/

Let us consider briefly some of the above items to include U.S. production, the location of deposits, the quantity produced and known reserves. Also their use in our industrial effort where that use maybe obscure to the layman.

Antimony -- A hard crystalline metal used in alloys with other nonferrous metals to impart hardness. Mexico and Bolivia produced 55% of world production during war years, 95% of which was consumed by the United States. Production however is not stable in Bolivia. Small mines are open or closed depending on the market. Mexico being close to the U.S. and having steadier production is of greater importance. Supply during war years was 80% of U.S. requirements.

Bauxite -- The ore of aluminum. U.S. production is inadequate for wartime economy and reserves are becoming depleted. Latin America

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produced approximately 45% of allies wartime needs. Dutch Guiana leads with British Guiana a close second. Brazil and Jamaica are known to have large reserves.

Beryllium -- Alloyed with copper gives hardness, high tensile strength, and good electrical and heat conductivity to it. Copper so alloyed is used in aviation and fire control instruments. Alloyed with other metals it is used in jet engines and self-propelled missiles. Brazil and Argentina supply 95% of our requirements. They supplied 60% during the war. Reserves have not been estimated.

Bismuth -- Pharmaceuticals, solder, low melting point alloys. Peru, Mexico and Bolivia supplied 20% of our wartime demand and 45% of world production outside the United States. Peruvian reserves are considered large.

Celestite -- Is what makes the tail of a tracer bullet glow. Mexico is the only producer and during the war supplied 43% of our requirements.

Chromite -- Used as an alloy with steel. Domestic deposits are small and low grade. Cuba and Brazil supplied 27% of our wartime requirements. Reserves in Brazil are said to be large.

Copper -- There is no other good noncorrosive conductor. U.S. reserves will be exhausted in 30 years. Chile, Mexico and Peru supplied 27% of our wartime requirements. Chilean reserves exceed a billion tons of 2½% ore.

Lead -- It is estimated that we have a 10 year supply in reserve in the United States based on 1933-39 annual consumption. Mexico and Peru are the principal sources in Latin America. During the war they

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supplied 22% of our demand. However, here the reserve outlook is not bright, but exploration for new fields is in progress.

Manganese -- Used to remove oxygen and sulphur in the manufacture of steel. Reserves of high grade ore in the United States are small. Mexico and Brazil were the principal suppliers during the war with a small amount from Chile. Together they furnished 40% of our wartime requirement. Russia was our prime source but with the discovery of the Brazilian field we hope in time to be independent of European imports. It is estimated that the Latin-American supply supplemented by imports from the Gold Coast, India and the Union of South Africa will meet our needs until Brazil is in full production. Brazil has large reserves and is our principal hope for the future.

Mercury -- The standard unit of measure is the flask of 76 lbs. U.S. production has never exceeded 55,000 flasks. Mexico in its best year produced 32,000 flasks. Chile and Peru produced smaller quantities. Together they supplied 27% of our wartime imports. Reserves are difficult to estimate.

Tin -- No Tin is produced in the United States. Bolivia is our most important hemisphere source, supplying us with 30% of our wartime demand. Reserves have not been estimated.

Tungsten -- Used to harden steel. U.S. production supplies 40% of domestic requirements. Bolivia and Brazil were our chief suppliers during the war. Bolivian reserves are limited while Brazil has large quantities.

Vanadium -- When alloyed with steel toughens and strengthens it. Peru is the principal source in Latin America. U.S. supplies two thirds

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of domestic consumption. Latin America furnished 27% of our wartime demands. 8/

The above group has been selected because of the appreciable quantity furnished in each case and because of the important role that each plays in our wartime manufacturing program. The complete list of minerals mined in Latin America and imported in whole or part by the United States is indeed impressive. During the years 1944-45 we obtained 40 different ores, minerals and metals from 15 Latin American countries by purchase through the Metals Reserve Company and the United States Commercial Company. +

The mining of iron ore for export to the United States is becoming increasingly important as the reserves of high grade ore in the Mesabi range of Minnesota decline. This is not a new venture. The Bethlehem Steel Company has imported high grade ores from Chile since 1915. Imports from the company mine at El Tofo have averaged about 2,000,000 tons a year for the past ten years. There are other sizeable deposits in Chile which will be worked to supply the newly constructed national steel plant at Concepcion.

However, Chilean importance dwindles when we turn the spotlight on the Brazilian and Venezuelan fields. In the state of Minas Gerais in Brazil geologists estimate reserves of high-grade ores will exceed 5 billion tons. The problem here unlike Chile where mines are located near the sea coast, is transportation. Railroads and port facilities must be constructed at an estimated cost of over 50 million dollars before this field can begin to supply an appreciable amount. *

In Venezuela, the Bethlehem Steel Corporation has again been the leader with United States Steel a late starter. Both are developing

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rich open-pit mines in the Eastern part of the country close to the Orinocco River. Considerable sums have been spent for the construction of railroads and loading facilities. Here the transportation picture is much brighter, with water transportation close at hand and a much shorter haul to the mills in the United States. Reserves in this area are estimated at 1,000,000,000 tons. ^{9/}

The importance of Latin America as a supplier of raw materials to the U.S. does not lie in minerals alone. Indeed some may argue that substitutes may be found for many of the minerals but there is no substitute for another item of which Latin America has a generous existing and potential store, petroleum. Latin America according to 1949 figures supplies 17% of the world's petroleum production capacity and 12% of refining capacity. This is a big figure when we consider that the U.S. has 64% of the world's total of both production and refining capacity. This combined with the Venezuelan share leaves for the rest of the world including Russia only 19% of the production and 22% of the refining. ^{10/} X

Venezuela in 1948 produced more oil than all of the middle-east fields combined and ranks as the number two oil producing country of the world. In 1948 Venezuela produced over 480,000,000 barrels most of which was shipped to the Netherlands West Indies Islands of Curacao and Aruba for refining. In an economic sense therefore Venezuela and these islands should be considered as a unit.

Exploration continues with great promise of new fields and the building of pipe lines and new refineries is being carried forward. The existing and planned refinery capacity of Venezuela totaling 275,000 bbls. per day, added to 635,000 bbls. per day capacity of the Netherlands West

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Indies adds up to a substantial total of over 900,000 bbls. per day. ^{11/}
This figure is within 100,000 bbls. of the refinery capacity of the U.S.S.R.

All of this would seem to indicate that while movement of the oil center of the world to the middle east is predicted, it has not yet moved.

Other important petroleum producing countries in Latin America, in the following order, are Mexico, Colombia, Argentina, Trinidad, Peru, and Ecuador.

Mexico's position as a producer has fallen from a high in 1921 of nearly 200 million barrels to 58 million barrels in 1948. This has been due to the unstable condition of the government in the past and the expropriation policy enforced during the 1920's. Lack of United States technological development and the unwillingness on the part of U.S. corporations to spend capital for exploration or new plants in the face of political uncertainty has furthered the decline. The future of the industry is uncertain.

The development of the Colombian industry has been slow but steady and possibilities of continued development are considered bright. U.S. capital has prospered and there is no nationalization policy in prospect to deter development.

The other producers serve to supply their own needs and with small export quotas for their neighbors relieve in part the U.S. and Venezuela of that burden during periods of emergency with the exception of the Argentine which must import a large portion of its demand. Peru supplies its neighbor Chile and sends some to the Argentine. Ecuador and Bolivia are slightly more than self-sufficient. Trinidad sends its surplus

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to British Empire ports.

Exploration for new fields continues in many areas. Chile has just brought in a new field on the mainland north of Tierra del Fuego. Argentina is working on a field in the same general area. Geological studies are being carried out in all parts of Brazil with particular emphasis on the States of Bahia, south of the hump, and Para near the mouth of the Amazon and the upper reaches of the Amazon. Another area of Latin America viewed favorably by oil geologists is the Eastern slope of the Andes which has yet to be explored. Known reserves in Latin America exceed 8,000,000,000 bbls. but all of this is not immediately within reach. Capital must be found to develop the fields and the transportation necessary for its movement and even then a large percentage of that in the ground may never be recovered until operating procedures are improved.^{12/}

But the picture is bright and petroleum is certainly a tie which binds the hemisphere together in peace as well as in war.

Next in importance are the agricultural products meat and cereals. The principal cereal production area lies within the boundaries of Argentina and Uruguay, but many of the other countries produce sufficient bread grains to satisfy if not in whole in part the local demand. Chile has in some years had exportable surpluses of wheat. Brazil produces cereals in such quantity that with a small import quota each year from the Argentine she is well supplied. Most of the other countries of Latin America import wheat or flour to supplement the local crop of corn for starch food.

Argentina, Brazil, Uruguay, and Chile are exporters of meat and

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meat products. Argentina is second to the United States in this field and if our exports of meat continue to fall will pass us in a few years. Brazil after the U.S. and China is the third largest producer of swine and enjoys a profitable export trade with Europe for this product. Chile ships frozen mutton in large quantities direct from the area around the Straits of Magellan to England. Cotton, coffee, sugar and quebracho extract are other important vegetable products to mention only a few.

Brazil leads in cotton and coffee while Cuba, other Caribbean Islands and Peru account for most of the sugar production. Little Paraguay produces the quebracho both extract and the raw material.

We have no requirement for the Brazilian cotton but many of the countries we recognize as allies have, so in that regard it is an important item in our wartime complex. Coffee and sugar while luxury items are recognized as essentials in the North American diet and certainly national morale would suffer should we be cut off from our Latin-American source. No completely satisfactory substitute has yet been found for quebracho which is still retained on the list of critical materials and Paraguay is our only source.

We have now built a case for Latin America as a necessary adjunct to our economy in peace and war. Let us investigate the internal problems which hamper its well ordered and smooth functioning as a producer.

Chapter III TRANSPORTATION AND GOVERNMENT

Physically and politically Latin America is an area of crazy geography. It is compartmented by natural and political boundaries so

that its map looks like Picasso in his wildest mood. No other area of the world has such a formidable mountain barrier of equal length, rivers so worthless from a transportation standpoint or jungles so vast and impenetrable.

These physical obstacles have served to divide politically an area that was in the first instance settled by people of the same ethnic stock, from the Iberian Peninsula, and whose influence without exception persists to this day. That they have developed 20 different nationalities is to their credit but it has not served to develop their stature economically, politically or culturally. The common language is the only tie that binds. The Organization of American States being looked on in many areas as a high priced club or debating society.

The whole could have been welded into one strong federation of states except for the physical geography of the area.

Intracontinental transportation except by coastal shipping or the recently developed air lines is practically unknown. There are some major exceptions to this, such as the free movement in the basin of the River Plate and among the islands of the Caribbean. The only railroad link in all of Central America is one between Guatemala and El Salvador. In the area liberated by Bolivar no Railroad crosses an international frontier. Peru has no rail link with its neighbors. Chile because of Yankee ingenuity and British tenacity has railroad connections with both Bolivia and Argentina but they are both lines of very limited capacity. As mentioned before the Basin of the Rio Plate is the one area where there is some across frontiers movement among Brazil, Uruguay and Argentina with Paraguay tying in by the somewhat uncertain traffic of the Parana River.

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What has been said for railroads applies in general to roads.

The much talked of Latin American highway is far from a reality. Where sections are listed as completed, except in rare instances, they are suitable only for those with a thirst for adventure or a burning desire to write an article for the National Geographic Magazine. International commercial highways such as we have between Canada and the United States and with Mexico are unknown in Latin America.^{13/} Again the barriers of mountains, jungles, rivers, or deserts have defied small nations of limited means.

Only by means of coastal vessels or by river steamers as in the case of Paraguay is there free intercourse among the Latin American countries. Even this trade is poorly developed and in most cases is generally carried on by small antiquated vessels of uncertain operating duration.

Consequently the nations of Latin America look to the rest of the world for their trade. It is necessary to bring what one would sell and take away what one would buy so that an active and adequate merchant fleet is essential for trade in this area.

While most of our trade with Latin America is carried in U.S. bottoms the prewar merchant fleets of Europe are again appearing in Latin-American ports and competition will in time force us to meet the cheaper rates or relinquish our position as the largest shipper in this area. If we relinquish our position in this regard it may mean that some of the near marginal production in peacetime such as Peruvian mercury or Chilean Chromium ore will no longer be produced since these and other items are carried by subsidized lines at a very favorable rate.^{13a/}

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We have by no means lost our position, the slight decrease in our import-export trade for 1949 does not suggest that our trade with Latin America is languishing, but we cannot afford to assume that we can remain secure by adopting a "business as usual" attitude.

The war engendered demand for Latin-American products brought a boom but an unhealthy one to that continent. Many of the countries are maintained by, in a large part, "one crop" economies. Bolivian tin, Chilean copper, Cuban sugar, Brazilian coffee, Uruguayan meat and others. While the war brought riches the backwash of war found a limited demand for these surpluses built from wartime production. This was the second time in the memory of the leaders of Latin America that there had been no cushion to save them from the after effects of the prosperous war years. The one insurance to escape from utter economic dependence on the United States and European countries was the industrialization of their own countries. They realized that it was impossible for them to develop a self-sufficient economy but the more they manufactured themselves the less they would have to depend for exchange on uncertain sales of one or a handful of natural products. As a result they have set their course, and in many cases a well-defined one, on the establishment of industry to supply many of the needs or even luxuries now imported. 14/

(Local capital and technology are limited. Patent infringement is not something to be taken lightly).

The Nations of Latin America had hoped to use the large dollar surpluses accumulated during the war to purchase the capital goods necessary for the industrial effort. In many cases there was more than enough to insure a tidy start. Immediately following the war machinery and plant

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equipment were difficult to buy either in the United States or Europe. United States talent was being used to bring the U.S. industrial output to a point necessary to meet home demand and was not available for export. As a result the dollars accumulated during wartime were spent for automobiles, radios, refrigerators and other consumer goods. Dollar balances began to melt away and 1948 found all but Uruguay and Venezuela hard pushed for ready cash. They began to worry when the dream of their national industry began to fade and started asking for help.

Help could only come from the United States but by that time the cold war had set in and Uncle Sam had started to stem the tide of Communism by giving aid to the hard pressed economies of Western Europe. It was difficult for the Latinos to accept the adage "first things first." The old story that the front line in Europe must get the support was hard to swallow. Had there not been sporadic outbursts of communism in Latin America? Certainly the bottomless purse of the United States had something for old friends who had run afoul hard times. ^{15/}

The purse was almost empty. Even the wealthy United States can run out of funds. A few handouts through the Institute of Inter-American Affairs, and grubstaking by the Export-Import Bank and International Monetary fund averted panic or depression in some cases. Tightening of controls served to keep at home some of the hard to get dollars for the establishment of the long hoped for industry and the drive and wisdom on the part of many of the newly recognized leaders made some of the countries appear attractive for the investment of foreign capital.

Industrialization of Latin America is not an accomplished fact but it has made headway. Brazil and Chile with an eye on U.S. investors

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have made real progress. Argentina has a well established industry which thrives because of the police state controls which practically prohibit imports of consumer goods. Mexico has made great strides and is even fostering the manufacture of automobiles in order to reduce the demand for dollars. Venezuela with Nelson Rockefeller's assistance and a large dollar balance is starting an impressive program.

There are still soft spots such as Bolivia which lives almost entirely from the sale of tin and will be in bad shape when Far Eastern tin again enters the market in quantities. There are economic maladjustments in other countries, in general the currency is in need of a stimulant but all in all the picture is brighter.

How will all of this affect the supply of the raw goods we require during the next decade and how will it affect the position of Latin America, as a potential storehouse for the supplementary supply in wartime? The answer is obvious. Adversely, unless we take steps to work out, to the common satisfaction, a plan which will permit Latin America to achieve its ambition to industrialize and at the same time keep alive the production of raw materials necessary for our war effort.

That capital and labor is being diverted to industry and away from² the production of raw materials out of proportion to its natural growth is best demonstrated by recent figures from Brazil. In 1930 Brazil had 14,000 registered factories. The figure for 1950 is estimated at 100,000. Chile doubled the number of factories in five years, always with an eye to the loss of income when the bottom falls out of the natural nitrate market.

Fortunately U.S. demand for many of the Latin-American products has held up but it is safe to predict that when there is again a slump capital

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and labor will flow to enlarge the growing industrial effort and it will be a difficult and expensive task to re-establish the production capacity in the raw materials field once it has been lost. 2

We cannot conclude without a brief glance at the political situation generally. Recently, that is since 1946, Latin America has gone through a period of fairly earnest effort on the part of Moscow Communism to establish itself in the area and has successfully avoided the threat. There still exists in many of the countries a well-organized Communist Party of limited strength but the peak has been passed and the trend is toward abolition of political parties with foreign entanglements.

Dictatorships are still popular in many of the countries. Whether operating under the accolade or exposed as a military junta or Nationalist Party they are all the same breed of cat. The return of Vargas to power in Brazil adds another to the list.

As much as we dislike the idea we must accept the fact that in the past the United States has had a fair degree of success in dealing with this type of government so popular in the Latin Countries. We had little love for old Gomez of Venezuela but we were able to do business with him. Vargas ruled for 15 years and brought Brazil into the war as one of our active allies. No student of political affairs is going to predict that totalitarianism is a dead issue in Latin America or even suggest that this form of government has lost its popularity with our neighbors in the south. 16/

We have endeavored to make true democratic government more popular by giving assistance to those countries where, within limitations imposed by sociological considerations, so-called democracy maintains but this has not always been a successful course. In the minds of a majority of the

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Latin leaders, Yankee imperialism is more than a "catch phrase" and there is a constant fear of being thrown out of office by his super-nationalistic opponents or losing face with his neighbors should he accept what might, in any measure, be considered a "dole" from the United States.

Another consideration which influences the political behavior of many American "Republics" is the thought that it may be unwise to get too far out of step with one's neighbor, particularly when that neighbor may be operating under a military dictatorship which always has as one of its aims development of the Armed Forces. Ecuador lives by maintaining patched up relations with Peru. Chile has just completed a trade agreement with the Argentine while concentrating her best regiments near the Andean Passes. Costa Rico and Haiti look to Nicaragua and the Dominican Republic not as sister nations but as potential dragons who may gobble them up should the knight errant, Uncle Sam, become engaged with questing too far afield. Many of the countries would like to see an application of the internal aggression clause of the Rio treaty, provided they are not the subject, in order to have a demonstration of what the United States would do.

The tide rises and falls. The gain or loss is hard to estimate. It is not the purpose of this paper to investigate the political trends in Latin America during the coming decade but a safe prediction appears to be that unless there is a radical change in the pattern with which we are familiar internal politics will exert but little change on the potential of Latin America as a supplier of raw materials.

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Chapter IV
CONCLUSION

Economic stability as well as a constant demand from the United States are necessary to assure the continued production of the raw or semi-processed materials of which we stand in need. Improvements in technology, progress in the field of synthetics, and development of production in other world areas where costs are lower all tend to cause apprehension on the part of Latin-American producers.

The past is full of sad experiences for the Latinos. United States beet sugar has forced that most profitable of all tropical cultures, cane sugar, to reduce profits in order to meet price and has dictated government controls to prevent over-production.

The great rubber boom of the Amazon and Grand Colombian region dwindled to nothingness in the face of the vast quantities of lastex produced at cheap prices by Southeast Asia countries.

The sale of Chilean natural nitrates was reduced to a small percentage of the early nineteen hundred's figure when we developed the synthetic nitrogen process during World War I. Even the lordly Panama hat, produced in Ecuador, has been given a severe setback by United States machine-woven varieties.

Without financial aid it is impossible for many of these countries to make the necessary adjustment from dependence on one or a handful of selected items to a program which permits the development of industry or extensions of agricultural development and at the same time maintain the capacity to supply the basic item or items in the quantities we consider necessary for our emergency needs.

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The Export-Import Bank is not the answer. Better a Pan-American Bank patterned after the World Bank and operating under the aegis of that organization. Should the 21 republics subscribe the funds necessary for the establishment of such a bank then the responsibilities of ownership will serve to curb the enthusiasm for granting unsound loans. Trade with sister republics would be stimulated through the operations of such a bank. Duplication of effort in manufacturing and the extractive industry field where capital outlay is extensive would be avoided. The United States must stand at the shoulder of the country which sponsors such a proposal but at the present time our problems are so involved and extensive that we have neither the surplus energy or funds required for the working out of this problem.

The administration's Point Four program in its inception is of limited value in that the funds are meager but the Inter-American proposal for a Point Four Program for Latin America should be studied.

This proposal made at an April meeting of the Inter-American Economic and Social Council held in Washington was for a program to cost \$2,600,000,000 to be financed jointly by the 21 nations and carried out in full co-operations with the United Nations. The funds would go largely for scholarships, training courses and educational activities. A beautiful design but unless the United States puts up a large share of the amount necessary it cannot hope for achievement.

Private capital is the other alternative but as Eric Johnston said, "nothing is so easily frightened as a million dollars." There are enough bogie men in Latin America in the form of expropriation, revolution, currency controls and graft to scare it before it even gets started.

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We have in a large measure "muddled through" in Latin America with muddling on both sides. We take more and we supply more than any other nation or group of nations. The progress of economic development is sufficiently encouraging to cause us to hope for its continuance. The dollar is still the soundest currency in the world today and there is every reason to believe that Latin America will do all possible to continue the production which brings dollars.

For our potential wartime needs we should complete our stockpiling program and do all possible to assure the maintenance of capacity by the Latin American producers of those items in which we will find ourselves in short supply in an emergency without too large an expenditure of funds.

It may be necessary to resort to government subsidies in order to extract the minerals, metals and ores when our need of them for defense exceeds our ability to supply ourselves. Such a program worked in the last war and should work in the future.

Our great consolation is that we know where the reserves are. We know what portion of them can be made available. We know that Latin America can produce them with our assistance. Our course therefore is to so conduct ourselves that as the leader of the Western World we maintain the respect and support of the twenty republics, so that when we need the rich mineral and other resources of which they are trustees, we can count on their willingness to supply them.

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FOOTNOTES

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10. Lt. Gen. James Doolittle, Lecture at I.C.A.F., April 1950.
11. World Oil, July 15, 1950, pp. 46-47.
12. Hardesty, op. cit., p. 42, Annex A.
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